

**CLAY COUNTY**

INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2015

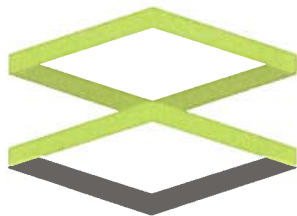
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## CLAY COUNTY

## OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>	
		<u>Before January 2015</u>	<u>After January 1, 2015</u>
Delmar R. Brockshus	Board of Supervisors	January 2017	January 2017
Joe Skow	Board of Supervisors	January 2017	January 2017
Ken Chalstrom	Board of Supervisors	January 2015	
Barry Anderson	Board of Supervisors		January 2019
Burlin Matthews	Board of Supervisors	January 2015	January 2019
Linda Swanson	Board of Supervisors	January 2015	January 2019
Marjorie A. Pitts	County Auditor	January 2017	January 2017
Sandra Geidl	County Treasurer	January 2015	January 2019
Shirley Goyette	County Recorder	January 2015	January 2019
Randy Krukow	County Sheriff	January 2017	January 2017
Michael Houchins (through April 19, 2015)	County Attorney	January 2017	January 2017
Kristi Kuester (appointed May 12, 2015)	County Attorney		January 2017
John Lawson	County Assessor	January 2016	January 2016



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## INDEPENDENT AUDITORS' REPORT

To the Officials of Clay County:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Clay County as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 15 to the financial statements, Clay County adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 45 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2016 on our consideration of Clay County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County's internal control over financial reporting and compliance.

Wintner, Staver Co., LLP

January 22, 2016  
Spencer, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Clay County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased \$2,441,636 (13.0%) from fiscal 2014 to fiscal 2015 due primarily to the reduction of Roads and Transportation capital grants and contributions. Property tax increased \$55,608; grants, contributions and restricted interest decreased \$3,129,557; and net other revenues increased \$632,313.
- Program expenses of the County's governmental activities decreased \$78,796 (or 0.6%), from fiscal 2014 to fiscal 2015. Expenses in the areas of physical health and social services, mental health, County environment and education, and non-program increased a total of \$779,939, while expenses in public safety and legal services, roads and transportation, administration, governmental services to residents, and interest on long-term debt decreased a total of \$858,735.
- The County's net assets increased \$3,072,933 from June 30, 2014 to June 30, 2015 due primarily from State tax credits, Local Option Sales Tax and Grants and contributions not restricted to specific purposes.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Clay County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clay County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Clay County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### Fund Financial Statements

The County has two kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Mental Health, Rural Services, Local Option Sales Tax, and Secondary Roads, (c) the Debt Service Fund and (d) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.



2. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for schools, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Clay County's combined net position for FY2015 totaled \$41,506,654 compared to \$40,868,107 (before restatement) for FY2014. The analysis that follows focuses on the changes in the net position of governmental activities.

### Net Position of Governmental Activities

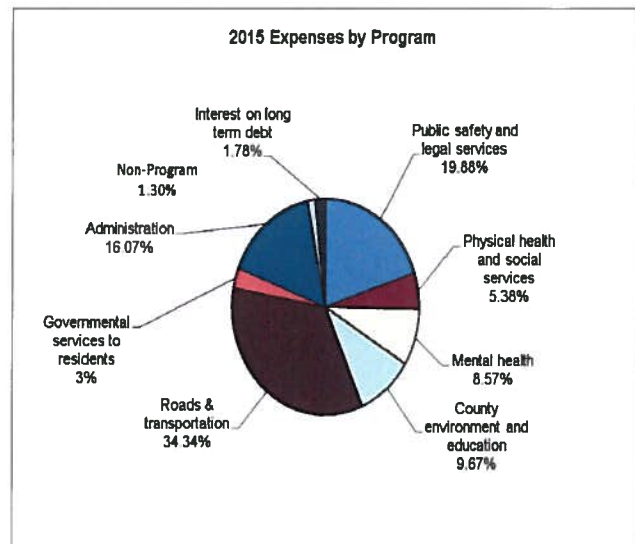
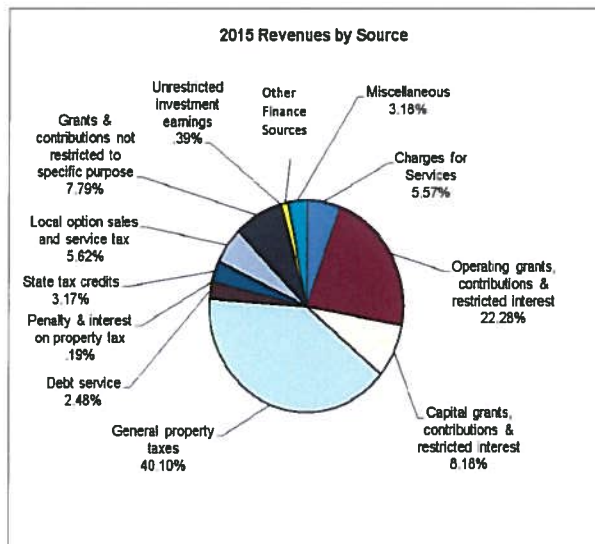
	June 30,	
	<u>2015</u>	<u>2014</u>
Current and other assets .....	\$17,637,304	\$18,079,297
Capital assets .....	<u>39,609,053</u>	<u>36,589,827</u>
Total assets	<u>57,246,357</u>	<u>54,669,124</u>
Deferred outflows of resources .....	<u>474,666</u>	<u>                    </u>
Long-term liabilities .....	8,120,075	6,558,602
Other liabilities .....	<u>292,040</u>	<u>343,415</u>
Total liabilities	<u>8,412,115</u>	<u>6,902,017</u>
Deferred inflows of resources .....	<u>7,802,254</u>	<u>6,899,000</u>
Net position:		
Net investment in capital assets .....	33,542,121	30,274,225
Restricted .....	6,152,308	7,435,976
Unrestricted .....	<u>1,812,225</u>	<u>3,157,906</u>
Total net position	<u>\$41,506,654</u>	<u>\$40,868,107</u>

Net position of the County's governmental activities increased 1.6%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment) less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from \$3,157,906 at June 30, 2014 to \$1,812,255 at the end of this year, a decrease of 42.6%, primarily due to expense related to implementation of recognizing net pension liability and changes in the net pension liability.

## Changes in Net Position of Clay County Governmental Activities

	Year ended June 30,	
	<u>2015</u>	<u>2014</u>
Program revenues:		
Charges for service .....	\$ 913,933	\$ 728,873
Operating grants, contributions, and restricted interest .....	3,654,603	2,952,614
Capital grants, contributions, and restricted interest .....	1,341,917	5,173,463
General revenues:		
Property tax:		
General purposes .....	6,576,259	6,521,435
Debt service .....	406,103	405,319
Penalty and interest on property tax .....	30,943	39,185
State tax credits .....	519,437	332,020
Local option sales tax .....	921,345	829,195
Grants and contributions not restricted to specific purpose ...	1,277,160	1,133,483
Unrestricted investment earnings .....	64,484	84,762
Other financing sources .....	172,773	
Miscellaneous .....	<u>521,223</u>	<u>641,467</u>
Total revenues	<u>16,400,180</u>	<u>18,841,816</u>
Program expenses:		
Public safety and legal service .....	2,649,840	2,749,578
Physical health and social services .....	717,582	628,390
Mental health .....	1,142,138	747,666
County environment and education .....	1,289,283	1,166,821
Roads and transportation .....	4,576,458	4,678,782
Governmental services to residents .....	399,431	414,412
Administration .....	2,141,250	2,777,089
Nonprogram .....	173,813	
Interest on long-term debt .....	<u>237,452</u>	<u>243,305</u>
Total expenses	<u>13,327,247</u>	<u>13,406,043</u>
Change in net position	3,072,933	5,435,773
Net assets - beginning of year - as restated .....	<u>38,433,721</u>	<u>35,432,334</u>
Net assets - end of year	<u>\$41,506,654</u>	<u>\$40,868,107</u>

**(For illustrative purposes)**



Clay County's governmental activities net position increased by \$3,072,933 during the year. Revenues for governmental activities decreased by \$2,441,636 over the prior year primarily due to a decrease in road construction funding revenues. The revenues for governmental activities did include a property tax revenue increase from the prior year of \$55,608 or 0.80%.

The County property tax rates for fiscal year 2015 remained at \$15.45 per thousand of valuation. The increase in taxable valuation raised the County's property tax revenue approximately \$55,000 in fiscal year 2015. Based on January 1, 2014 assessed valuation, property tax revenue is budgeted to increase by approximately \$30,250 in fiscal year 2016.

The cost of all governmental activities this year was \$13,327,247 compared to \$13,406,043 last year. However, as shown in the Statement of Activities on page 14, the amount taxpayers ultimately financed for these activities was \$7,416,794 because some of the cost was paid by those directly benefited from the programs (\$913,933) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,996,520). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2015 from \$8,854,950 to \$5,910,453, principally due to less road construction funding received through the Iowa Department of Transportation. The County paid for the remaining "public benefit" portion of governmental activities with \$10,489,727 in taxes (some of which could only be used for certain programs) and other revenues, such as interest, general intergovernmental aid, and miscellaneous other sources.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Clay County completed the year, its governmental funds reported a combined fund balance of \$9,651,034, a decrease of \$359,886 from last year's total of \$10,040,920. The decrease in fund balance is primarily attributable to an decrease in mental health funds. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- Mental health revenues decreased, while expenditures increased. This large increase in expenditures was due to a distribution of funds to the regional fiscal agent. For the year, expenditures totaled \$1,019,308, an increase of 100.67% from the prior year. The Mental Health Fund balance decreased by \$537,574 from the prior year, ending at \$29,824.
- Secondary Roads Fund revenues decreased and expenditures increased from the prior year. The ending fund balance showed an increase of \$233,376, ending at \$4,682,535.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Clay County amended its budget two (2) times. The amendments were made January 20, 2015 and April 25, 2015 and consisted of an increase in budgeted disbursements of \$2,698,204, primarily for capital projects, mental health, and environment. Recognized increases in receipts were primarily in the areas of intergovernmental and other receipts. The amendments resulted in a budgeted excess of receipts over disbursements of \$3,002,789.

The County's receipts were \$149,504 more than budgeted, a variance of 1%. Total disbursements were \$2,481,760 less than budgeted, a variance of 13%.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, Clay County had \$39,609,053 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$3,019,226, or 8.3%, over last year.

#### Capital Assets of Governmental Activities at Year End

	June 30,	
	<u>2015</u>	<u>2014</u>
Land .....	\$ 1,931,866	\$ 738,917
Construction in progress .....		
Buildings and improvements .....	10,035,662	10,347,459
Equipment and vehicles .....	2,432,177	2,534,392
Infrastructure .....	<u>25,209,348</u>	<u>22,969,059</u>
Total	<u>\$39,609,053</u>	<u>\$36,589,827</u>

Major additions for the year included the following: \$1,192,949 for land, \$315,942 for machinery and equipment, and \$2,744,976 related to road infrastructure.

The County had depreciation expense of \$1,234,641 in fiscal year 2015 and a total accumulated depreciation of \$11,395,173 as of June 30, 2015.

### Long-Term Liabilities

At June 30, 2015, Clay County had \$6,066,932 in general obligation bonds/notes and other debt outstanding compared to \$6,315,602 at June 30, 2014, as shown below.

#### Outstanding Debt of Governmental Activities at Year End

	June 30,	
	<u>2015</u>	<u>2014</u>
General obligation notes .....	\$5,662,048	\$5,984,991
Drainage warrants .....	<u>404,884</u>	<u>330,611</u>
Total	<u>\$6,066,932</u>	<u>\$6,315,602</u>

Debt decreased \$248,670 due to notes being retired exceeding increases in drainage warrants.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Clay County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$47 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Clay County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. Unemployment in Clay County on June 30, 2015 stood at 3.5% versus 3.8% a year ago. This compares with the State's unemployment rate of 3.4%, which was among ten (10) states having far lower unemployment rates than the 4.9% national average as of June 30, 2015. Other states with the right mix of industries, natural resources, and skilled workers were North Dakota, Nebraska, South Dakota, New Hampshire, Hawaii, Colorado, Minnesota, Utah, and Vermont.

Inflation in the State of Iowa at 2.8% is lower than the national Consumer Price Index of 3% in the year ending June 2015, down from 2.87% in the year ended June 2014. Inflation has been modest here due in part to the stability of the residential housing market and energy prices.

These indicators were taken into account when preparing the budget for fiscal year 2016. Amounts available for appropriation in the 2016 operating budget are approximately \$13.8 million which reflects a decrease compared to \$14.1 million budgeted in 2015, primarily attained from State Grants and Entitlements. Property valuation increases and state funding in several of our current programs are expected to cause the increase in other revenues. Budgeted disbursements are expected to increase to approximately \$17.041 million primarily in the areas of County Environment and Education, Secondary Roads, and Capital Projects.

If these estimates are realized, the County's budgetary cash operating balance is expected to decrease from 2015 by approximately \$1.4 million by the close of 2016. The proposed ending budgeted cash balance of approximately \$3.6 million represents 21.2% of proposed expenditures.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Clay County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Clay County Auditor's Office, 300 W. 4th St., Spencer, Iowa. The County's financial statements can also be found on our website [www.co.clay.ia.us](http://www.co.clay.ia.us).

### Reporting Resources:

Consumer Price Index Summary

<http://www.bls.gov/eag/>

[http://www.bls.gov/regions/mountain-plains/news-release/consumerpriceindex\\_midwest.htm](http://www.bls.gov/regions/mountain-plains/news-release/consumerpriceindex_midwest.htm)

[http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

Local Area Unemployment Statistics

<http://www.iowaworkforce.org/lmi/laborforce/etables/area21.txt>

Iowa Workforce Information Network

<http://iwin.iwd.state.ia.us/iowa/Regions>

[http://www.nbcnews.com/id/38838429/ns/business-us\\_business/t/states-ridiculously-low-unemployment/#.VOELF010zr4](http://www.nbcnews.com/id/38838429/ns/business-us_business/t/states-ridiculously-low-unemployment/#.VOELF010zr4)

<http://www.bls.gov/web/laus/laumstrk.htm>

Iowa Workforce Cost of Living

<http://iwin.iwd.state.ia.us/iowa/OlmisZine?zineid=00000003>

Iowa County Financial Overview

<http://www.iowacounties.org/Services/Research/FiscalInfo/CFO/CFOPage.htm>

Economy At A Glance

[http://data.bls.gov/timeseries/CUUR0000SA0?output\\_view=pct\\_12mths](http://data.bls.gov/timeseries/CUUR0000SA0?output_view=pct_12mths)

<http://www.bls.gov/eag/>

<http://www.bls.gov/eag/eag.wy.htm>

[http://www.bls.gov/regions/midwest/news-release/countyemploymentandwages\\_iowa.htm#table3.xlsx](http://www.bls.gov/regions/midwest/news-release/countyemploymentandwages_iowa.htm#table3.xlsx)

Office of National Statistics

<http://www.census.gov/quickfacts/table/PST045215/00> \*\*

CLAY COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and pooled investments .....	\$ 8,762,266
Receivables:	
Property tax:	
Delinquent .....	30,124
Succeeding year .....	6,895,000
Accounts and drainage assessments .....	563,444
Notes and contracts .....	376,175
Accrued interest .....	4,069
Due from other governments .....	119,845
Inventories .....	865,130
Prepaid expenses .....	21,251
Capital assets - net of accumulated depreciation .....	39,609,053
 TOTAL ASSETS	 <u>57,246,357</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows .....	474,666
 TOTAL	 <u>\$ 57,721,023</u>
 LIABILITIES	
Accounts payable .....	\$ 259,324
Salaries and benefits payable .....	32,716
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes .....	323,681
Compensated absences .....	132,000
Portion due or payable after one year:	
General obligation notes .....	5,338,367
Drainage warrants .....	404,884
Net pension liability .....	1,789,143
Net OPEB liability .....	132,000
 TOTAL LIABILITIES	 <u>8,412,115</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable property tax revenue .....	6,895,000
Pension related deferred inflows .....	907,254
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>7,802,254</u>
 NET POSITION	
Net investment in capital assets .....	33,542,121
Restricted for:	
Supplemental levy purposes .....	639,405
Mental health purposes .....	786
Secondary roads purposes .....	3,799,049
Debt service .....	324,435
Capital projects .....	357,327
Other purposes .....	1,031,306
Unrestricted .....	1,812,225
 TOTAL NET POSITION	 <u>41,506,654</u>
 TOTAL	 <u>\$ 57,721,023</u>

CLAY COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	<u>Expenses</u>				
FUNCTIONS/PROGRAMS:					
Government activities:					
Public safety and legal services .....	\$ 2,649,840	\$ -	\$ -	\$ -	\$ (2,649,840)
Physical health and social services .....	717,582	-	-	-	(717,582)
Mental health .....	1,142,138	-	-	-	(1,142,138)
County environment and education .....	1,289,283	110,882	-	-	(1,178,401)
Roads and transportation .....	4,576,458	50,193	3,654,603	542,397	(329,265)
Governmental services to residents .....	399,431	3,545	-	-	(395,886)
Administration .....	2,141,250	749,313	-	799,520	(592,417)
Non-program .....	173,813	-	-	-	(173,813)
Interest on long-term debt .....	237,452	-	-	-	(237,452)
 TOTAL	 <u>\$ 13,327,247</u>	 <u>\$ 913,933</u>	 <u>\$ 3,654,603</u>	 <u>\$ 1,341,917</u>	 <u>(7,416,794)</u>
GENERAL REVENUES:					
Property and other county tax levied for:					
General purposes .....					6,576,259
Debt service .....					406,103
Penalty and interest on property tax .....					30,943
State tax credits .....					519,437
Local option sales tax .....					921,345
Grants and contributions not restricted to specific purposes .....					1,277,160
Unrestricted investment earnings .....					64,484
Other financing sources .....					172,773
Miscellaneous .....					521,223
 TOTAL GENERAL REVENUES					 <u>10,489,727</u>
 CHANGE IN NET POSITION					 3,072,933
 NET POSITION - BEGINNING OF YEAR, AS RESTATED					 <u>38,433,721</u>
 NET POSITION - END OF YEAR					 <u>\$ 41,506,654</u>

See Notes to Financial Statements



CLAY COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

ASSETS

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Cash and pooled investments .....	\$ 3,440,135	\$ 29,829	\$ 291,268	\$ 3,940,636
Receivables:				
Property tax:				
Delinquent .....	29,163	248	445	-
Succeeding year .....	4,396,000	370,000	1,732,000	-
Accounts and drainage assessments .....	110,315	6,836	50	34,738
Notes and contracts .....	-	-	-	-
Accrued interest .....	2,796	-	-	-
Due from other governments .....	104,075	-	840	14,930
Inventories .....	-	-	-	865,130
Prepaid expenses .....	9,988	-	-	11,263
<b>TOTAL ASSETS</b>	<b>\$ 8,092,472</b>	<b>\$ 406,913</b>	<b>\$ 2,024,603</b>	<b>\$ 4,866,697</b>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

<b>LIABILITIES:</b>				
Accounts payable .....	\$ 83,832	\$ 6,844	\$ 7,534	\$ 152,162
Salaries and benefits payable .....	716	-	-	32,000
<b>TOTAL LIABILITIES</b>	<b>84,548</b>	<b>6,844</b>	<b>7,534</b>	<b>184,162</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenues:				
Succeeding year property tax .....	4,396,000	370,000	1,732,000	-
Other .....	28,342	245	437	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,424,342</b>	<b>370,245</b>	<b>1,732,437</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories .....	-	-	-	865,130
Prepaid expenses .....	9,988	-	-	11,263
Restricted for:				
Supplemental levy purposes .....	639,405	-	-	-
Mental health purposes .....	-	29,824	-	-
Rural services purposes .....	-	-	284,632	-
Secondary roads purposes .....	-	-	-	3,806,142
Debt service .....	-	-	-	-
Capital projects .....	-	-	-	-
Resource enhancement and protection ..	-	-	-	-
Drainage district purposes .....	-	-	-	-
Economic development purposes .....	-	-	-	-
Other purposes .....	1,156	-	-	-
Assigned to:				
Government services center .....	33,202	-	-	-
Rural services .....	1,255,110	-	-	-
Other purposes .....	170,767	-	-	-
Unassigned .....	1,473,954	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>3,583,582</b>	<b>29,824</b>	<b>284,632</b>	<b>4,682,535</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 8,092,472</b>	<b>\$ 406,913</b>	<b>\$ 2,024,603</b>	<b>\$ 4,866,697</b>

See Notes to Financial Statements

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 357,982	\$ 702,416	\$ 8,762,266
-	268	30,124
-	397,000	6,895,000
8,044	403,461	563,444
-	376,175	376,175
-	1,273	4,069
-	-	119,845
-	-	865,130
-	-	21,251
<u>\$ 366,026</u>	<u>\$ 1,880,593</u>	<u>\$ 17,637,304</u>
\$ 8,699	\$ 253	\$ 259,324
-	-	32,716
<u>8,699</u>	<u>253</u>	<u>292,040</u>
-	397,000	6,895,000
-	770,206	799,230
-	1,167,206	7,694,230
-	-	865,130
-	-	21,251
-	-	639,405
-	-	29,824
-	-	284,632
-	-	3,806,142
-	324,435	324,435
357,327	-	357,327
-	56,353	56,353
-	188,468	188,468
-	7,237	7,237
-	136,641	137,797
-	-	33,202
-	-	1,255,110
-	-	170,767
-	-	1,473,954
<u>357,327</u>	<u>713,134</u>	<u>9,651,034</u>
<u>\$ 366,026</u>	<u>\$ 1,880,593</u>	<u>\$ 17,637,304</u>

CLAY COUNTY  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

Total governmental fund balances (page 16) ..... \$ 9,651,034

*Amounts reported for governmental activities in the Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$51,004,226 and the accumulated depreciation is \$11,395,173. .... 39,609,053

Other long-term assets are not available to pay for current period expenditures and, therefore, are recognized as deferred inflows in the governmental funds. .... 799,230

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources .....	\$ 474,666	
Deferred inflows of resources .....	<u>(907,254)</u>	(432,588)

Long-term liabilities, including notes payable, drainage warrants, compensated absences payable, net pension liability, and OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds. .... (8,120,075)

NET POSITION OF GOVERNMENTAL ACTIVITIES (page 13) ..... \$41,506,654

CLAY COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
REVENUES:				
Property and other County tax .....	\$ 4,498,344	\$ 379,066	\$ 1,787,398	\$ -
Local option sales tax .....	829,210	-	-	-
Interest and penalty on property tax .....	30,943	-	-	-
Intergovernmental .....	538,090	102,668	183,350	4,577,310
Licenses and permits .....	12,705	-	1,450	7,984
Charges for service .....	611,919	-	-	-
Use of money and property .....	173,894	-	-	50,193
Fines, forfeitures and defaults .....	123,092	-	-	-
Miscellaneous .....	89,648	-	615	151
TOTAL REVENUES	<u>6,907,845</u>	<u>481,734</u>	<u>1,972,813</u>	<u>4,635,638</u>
EXPENDITURES:				
Operating:				
Public safety and legal services .....	2,166,195	-	541,612	-
Physical health and social services .....	723,405	-	-	-
Mental health .....	125,633	1,019,308	-	-
County environment and education .....	707,862	-	308,000	-
Roads and transportation .....	-	-	-	4,371,191
Governmental services to residents .....	402,109	-	-	-
Administration .....	1,773,804	-	-	-
Nonprogram .....	-	-	-	-
Debt service .....	44,250	-	-	-
Capital projects .....	-	-	-	2,223,665
TOTAL EXPENDITURES	<u>5,943,258</u>	<u>1,019,308</u>	<u>849,612</u>	<u>6,594,856</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>964,587</u>	<u>(537,574)</u>	<u>1,123,201</u>	<u>(1,959,218)</u>
OTHER FINANCING SOURCES (USES):				
Drainage warrants issued.....	-	-	-	-
Operating transfers in .....	141,800	-	-	2,234,394
Operating transfers out .....	(1,067,266)	-	(1,167,128)	(41,800)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(925,466)</u>	<u>-</u>	<u>(1,167,128)</u>	<u>2,192,594</u>
CHANGE IN FUND BALANCES	39,121	(537,574)	(43,927)	233,376
FUND BALANCES - BEGINNING OF YEAR	<u>3,544,461</u>	<u>567,398</u>	<u>328,559</u>	<u>4,449,159</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,583,582</u>	<u>\$ 29,824</u>	<u>\$ 284,632</u>	<u>\$ 4,682,535</u>

See Notes to Financial Statements

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 406,103	\$ 7,070,911
-	92,135	921,345
-	-	30,943
3,961	845,341	6,250,720
-	-	22,139
71,483	3,545	686,947
39,399	146,617	410,103
-	-	123,092
34,000	291,561	415,975
<u>148,843</u>	<u>1,785,302</u>	<u>15,932,175</u>

-	-	2,707,807
-	-	723,405
-	-	1,144,941
-	287,986	1,303,848
-	-	4,371,191
-	6,070	408,179
897,273	3,386	2,674,463
-	172,933	172,933
-	686,686	730,936
33,466	-	2,257,131
<u>930,739</u>	<u>1,157,061</u>	<u>16,494,834</u>

<u>(781,896)</u>	<u>628,241</u>	<u>(562,659)</u>
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	172,773	172,773
799,520	-	3,175,714
-	(899,520)	(3,175,714)

<u>799,520</u>	<u>(726,747)</u>	<u>172,773</u>
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17,624	(98,506)	(389,886)
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<u>339,703</u>	<u>811,640</u>	<u>10,040,920</u>
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<u>\$ 357,327</u>	<u>\$ 713,134</u>	<u>\$ 9,651,034</u>
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See Notes to Financial Statements

CLAY COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds (page 19) ..... \$ (389,886)

*Amounts reported for governmental activities in the Statement of Activities  
are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets .....	\$3,884,402	
Capital assets contributed by the Iowa Department of Transportation .....	542,397	
Depreciation expense .....	<u>(1,234,640)</u>	3,192,159

Because some revenues will not be collected for several months after the County's year-end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax and drainage assessments .....	(88,549)	
Notes and contracts .....	<u>(81,116)</u>	(169,665)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued .....	-	
Repaid .....	<u>248,670</u>	248,670

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. ....		371,126
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences (increase) .....	(7,000)	
Other postemployment benefits .....	(14,000)	
Pension expense .....	<u>(158,471)</u>	<u>(179,471)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 14)		<u>\$3,072,933</u>
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CLAY COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2015

ASSETS

Cash and pooled investments:	
County Treasurer .....	\$ 1,291,188
Other County offices .....	134,487
Property tax receivable:	
Delinquent .....	14,761
Succeeding year .....	20,466,000
Due from other governments .....	<u>80,924</u>
 TOTAL ASSETS	 <u>21,987,360</u>

LIABILITIES

Accounts payable .....	37,242
Due to other governments .....	21,829,430
Trusts payable .....	<u>120,688</u>
 TOTAL LIABILITIES	 <u>21,987,360</u>
 NET POSITION	 <u><u>\$ -</u></u>

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Clay County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

**Reporting Entity**

For financial reporting purposes, Clay County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Clay County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

**Blended Component Units**

The following component units are entities which are legally separate from the County but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Ninety-eight drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Clay County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Clay County Auditor's office.



CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoints representatives to the following boards and commissions: Clay County Assessor's Conference Board, Clay County Emergency Management Commission, Clay County Conservation Board, and Clay County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

**Basis of Presentation**

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of Presentation - Continued**

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

**Special Revenue:**

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and Special Revenue, Rural Services Fund, and other revenues to be used for secondary road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

**Measurement Focus and Basis of Accounting**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Measurement Focus and Basis of Accounting - Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned, and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments

The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Non-negotiable certificates of deposits are stated at cost.

Property Tax Receivable

Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Property Tax Receivable - Continued

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2013 assessed property valuations, is for the tax accrual period July 1, 2014 through June 30, 2015, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

Drainage Assessments Receivable

Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than three nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Deferred inflows of resources related to drainage assessments represent remaining assessments which are payable but not yet due.

Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption and are recorded as expenditures when consumed rather than when purchased.

Notes and Contracts Receivable - Long-term receivables of governmental funds are reported on their respective balance sheets. These receivables are recognized in the current period to the extent they are considered available spendable resources. Deferred inflows of resources related to notes and contracts represent remaining receivables not considered available spendable resources.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Capital Assets

Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2002 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	10 - 65
Equipment	2 - 20
Vehicles	3 - 10

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Due to Other Governments

Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable

Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and the Special Revenue, Secondary Roads Funds.

County employees accumulate a limited amount of earned but unused sick leave. The employee does not receive any pay for unused sick leave upon termination of employment with the County. Since the amount of sick leave to be used is undeterminable, no liability has been accrued.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. In the government fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

**Fund Equity**

In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

*Assigned* - Amounts the Board of Supervisors intends to use for specific purposes.

*Unassigned* - All amounts not included in the preceding classifications.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Management's Review**

The County has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**2. CASH AND POOLED INVESTMENTS**

The County's deposits in banks at June 30, 2015 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The County has invested \$354,736 in unrated drainage warrants.

**3. INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
General	\$ 141,800	Secondary Roads Revolving Loan	\$ 41,800 100,000
Special Revenue: Secondary Roads	2,234,394	General Special Revenue: Rural Services	1,067,266 1,167,128
Capital Projects	<u>799,520</u>	REAP	<u>799,520</u>
Total Transfers	<u>\$3,175,714</u>		<u>\$3,175,714</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**4. NOTES AND CONTRACTS RECEIVABLE**

Clay County has established a Revolving Loan Fund through cumulative net transfers of \$500,000 from local option sales tax revenues. Through June 30, 2015, the County made \$938,129 in advances to twenty-one local businesses, with a promissory note and applicable contractual loan agreements and documentation completed for each advance. With payments including interest at 4.75%, the promissory notes were originally payable in 60 to 180 monthly installments, with three loans paid in full through 2015 and remaining loans set to mature in 2016 through 2026. The County is attempting to collect the remaining \$133,214 balance on three loans with original advances totaling \$186,134. Since collection of the remaining balances is uncertain, the balances are no longer included in the total notes receivable balance. Therefore, after adjusting for these loans, the outstanding balances on the eighteen remaining loans totaled \$375,875 at June 30, 2015.



CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land .....	\$ 738,917	\$1,192,949		\$ 1,931,866
Construction in progress .....				
Total capital assets not being depreciated	<u>738,917</u>	<u>1,192,949</u>		<u>1,931,866</u>
Capital assets being depreciated:				
Buildings and improvements .....	12,805,175			12,805,175
Equipment and vehicles .....	8,263,546	315,942	\$ 62,825	8,516,663
Infrastructure, road network .....	24,320,314	2,744,976		27,065,290
Infrastructure, drainage network .....	685,232			685,232
Total capital assets being depreciated	<u>46,074,267</u>	<u>3,060,918</u>	<u>62,825</u>	<u>49,072,360</u>
Less accumulated depreciation for:				
Buildings and improvements .....	2,457,716	311,797		2,769,513
Equipment and vehicles .....	5,729,154	418,157	62,825	6,084,486
Infrastructure, road network .....	2,021,642	490,982		2,512,624
Infrastructure, drainage network .....	14,845	13,705		28,550
Total accumulated depreciation	<u>10,223,357</u>	<u>1,234,641</u>	<u>62,825</u>	<u>11,395,173</u>
Total capital assets being depreciated - net	<u>35,850,910</u>	<u>1,826,277</u>		<u>37,677,187</u>
Governmental activities capital assets - net	<u>\$36,589,827</u>	<u>\$3,019,226</u>		<u>\$39,609,053</u>

Depreciation expense was charged to the following functions:

<b>Governmental activities:</b>	
Public safety and legal services .....	\$ 37,855
County environment and education .....	49,038
Roads and transportation .....	800,599
Governmental services to residents .....	1,926
Administration .....	<u>345,223</u>
Total depreciation expense - governmental activities	<u>\$ 1,234,641</u>

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**6. DUE TO OTHER GOVERNMENTS**

The County purchases services from other governmental units and also acts as a fee and tax collection agency for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due other governments at June 30, 2015 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
Townships	Collections	\$ 275,813
Corporations	Collections	6,367,321
Schools	Collections	12,497,347
Area schools	Collections	953,924
County Assessor	Collections	473,379
Agricultural extension education	Collections	224,681
Auto license and use tax	Collections	424,383
All others	Collections	<u>612,582</u>
TOTAL FOR AGENCY FUNDS		<u>\$21,829,430</u>

**7. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	<u>General Obligation Bonds/Notes</u>	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$5,984,991	\$330,611	\$125,000	\$2,784,893	\$118,000	\$9,343,495
Increases.....	-	74,273	7,000	-	14,000	95,273
Decreases .....	<u>(322,943)</u>	<u>-</u>	<u>-</u>	<u>(995,750)</u>	<u>-</u>	<u>(1,318,693)</u>
Balance end of year	<u>\$5,662,048</u>	<u>\$404,884</u>	<u>\$132,000</u>	<u>\$1,789,143</u>	<u>\$132,000</u>	<u>\$8,120,075</u>
Due within one year	<u>\$ 323,681</u>	<u>-</u>	<u>\$132,000</u>	<u>-</u>	<u>-</u>	<u>\$ 455,681</u>

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**7. LONG-TERM LIABILITIES - Continued**

**Bonds/Notes Payable**

A summary of the County's June 30, 2015 general obligation bonds/notes payable is as follows:

<u>Year Ending June 30.</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1.94% - 3.60%	\$ 323,681	\$ 176,166	\$ 499,847
2017	1.94% - 3.71%	319,432	172,566	491,998
2018	1.94% - 3.81%	320,197	164,661	484,858
2019	1.94% - 3.91%	330,976	157,521	488,497
2020	1.94% - 4.05%	336,771	148,551	485,322
2021 - 2025	1.94% - 4.33%	1,695,991	603,710	2,299,701
2025 - 2030	3.35% - 4.39%	1,910,000	310,708	2,220,708
2031	4.00% - 4.05%	<u>425,000</u>	<u>17,213</u>	<u>442,213</u>
Total		<u>\$5,662,048</u>	<u>\$1,751,096</u>	<u>\$7,413,144</u>

During the year ended June 30, 2015, the County issued no new general obligation bonds and retired \$322,943 of notes.

**Drainage Warrants Payable**

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available and have been deducted from cash balances. Drainage warrants are paid from the Special Revenue, Drainage District Fund solely from special assessments against benefited properties.

**Clay County Regional Events Center Conduit Debt Obligations**

During the year ended June 30, 2005, the County issued a total of \$2,000,000 in Local Option Sales and Services Tax (LOSST) Revenue Bonds for the purpose of constructing and furnishing the Clay County Regional Events Center at the Clay County Fairgrounds. Of the total advanced, \$1,415,000 was used to pay off a similar bond which had been issued in fiscal 2004. The bonds are not a general obligation of the County but are payable from and secured solely and only by a pledge of certain local option tax revenues received by Clay County and the City of Spencer. The bonds will be repaid in annual installments ranging from \$70,000 to \$120,000, including interest at rates ranging from 3.60% to 4.39%, through June 1, 2029. Bonds totaling \$1,325,000 remained outstanding at June 30, 2015.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. However, the County is responsible to receive the applicable local option tax revenues and to apply funds on hand to the required bond payments, as shown in the LOSST Bond special revenue fund. There has not been and is not any condition of default under the bonds or the related financing documents.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**7. LONG-TERM LIABILITIES - Continued**

**St. Luke Homes and Services, Inc. Conduit Debt Obligation**

During September 2004, the County issued \$3,000,000 Health Care Facility Revenue Bonds, Series 2004 (St. Luke Homes and Services, Inc. Project) for the purpose of lending the proceeds to St. Luke Homes and Services, Inc. for facility improvement projects. The bonds are not a general obligation of the County but are payable solely from the revenues and other amounts derived from the facility.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

**8. LEASES**

The County has entered into leases of office space to other governmental entities through June 30, 2017 totaling \$89,184 annually. The County has also entered into annual leases of farm ground to various individuals, with lease expirations at February 2016 and total annual revenue of \$34,160. The County leases storage, through August 2020 for \$1,500 per month and common areas and office space, through June 2016, for \$1,190 and \$1,375 per month, respectively.

**9. PENSION PLAN**

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**9. PENSION PLAN - Continued**

Pension Benefits - Continued - Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire any time after reaching age 55 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**9. PENSION PLAN - Continued**

Contributions - Continued - In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protective occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.90 percent.

The County's total contributions to IPERS for the year ended June 30, 2015 were \$434,661.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$1,789,143 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was .0445721 percent which was a decrease of .1247049 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$158,471. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience .....	\$ 21,123	\$ 13,911
Changes of assumptions .....	75,202	333
Net difference between projected and actual earnings on pension plan investments .....		893,010
Changes in proportion and differences between County contributions and proportionate share of contributions .....	7,215	
County contributions subsequent to the measurement date ..	<u>371,126</u>	<u>          </u>
<b>TOTAL</b>	<b><u>\$474,666</u></b>	<b><u>\$907,254</u></b>

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**9. PENSION PLAN - Continued**

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued - \$371,126 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2016 .....	\$ (200,703)
2017 .....	(200,703)
2018 .....	(200,703)
2019 .....	(200,703)
2020 .....	<u>6,314</u>
	<u>\$ (796,498)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**9. PENSION PLAN - Continued**

Actuarial Assumptions - Continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
County's proportionate share of the net pension liability	\$4,298,014	\$1,789,143	\$ (365,612)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).



CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The County sponsors a single-employer health care plan which provides medical/prescription drug benefits for all active and retired employees and their eligible dependents. There are 90 active and 10 retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by monthly contributions.

The medical/prescription drug coverage is provided through a partially self-funded plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the approximate components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution .....	\$ 36,000
Interest on net OPEB obligation .....	-
Adjustment to annual required contribution .....	-
Annual OPEB cost	36,000
Contributions made .....	(22,000)
Increase in net OPEB obligation	14,000
Net OPEB obligation - beginning of year .....	118,000
Net OPEB obligation - end of year	<u>\$132,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, plan members eligible for benefits contributed approximately \$22,000 or 100% of the premium costs.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued**

Annual OPEB Cost and Net OPEB Obligation - Continued - The County's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 36,000	61.1%	\$104,000
June 30, 2014	36,000	61.1%	118,000
June 30, 2015	36,000	61.1%	132,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$336,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$336,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,741,000 and the ratio of the UAAL to covered payroll was 7.09%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate ranges from 5 - 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Scale T-4 of the Actuary's Pension Handbook.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued**

Actuarial Methods and Assumptions - Continued - Projected claim costs of the medical plan are approximately \$664 per month per participant. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expenses on an open basis over 30 years.

**11. RISK MANAGEMENT**

The County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's members contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2015 were \$146,740.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**11. RISK MANAGEMENT - Continued**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance from other insurers for coverage associated with workers' compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**Health Care Plan**

The County has established a Health Care Plan to provide partial self funding of the County's health insurance benefit plan. The plan is funded by County and employee contributions and is administered through a service agreement with Employee Benefit Systems (EBS). The agreement with EBS is renewable on an annual basis. The County assumes liability for certain claims up to the individual deduction limitations for single and family coverage depending on which of four optional plans is selected by each respective employee.

Contributions to the Health Care Plan are recorded as expenditures from the operating funds. The County's contribution to the self-funded portion of the Health Care Plan for the year ended June 30, 2015 was \$166,998.

No amounts payable to the Health Care Plan have been recorded at June 30, 2015 for incurred but not reported (IBNR) and reported but not paid claims since the amounts are not considered material to the financial statements. Incurred claims (including claims incurred but not reported at June 30, 2015) were considered to approximately equal the payments on claims during the fiscal year of approximately \$114,872.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**12. COMMITMENTS**

The County has entered into construction contracts totaling approximately \$1,400,000 for roadway paving and bridge maintenance. As of June 30, 2015, only incidental costs on the projects have been incurred. The balance of approximately \$1,400,000 remaining on the contracts at June 30, 2015 will be paid as work on the projects progresses with the contracts expected to be paid from County funds and the State of Iowa Farm to Market Fund.

The County has contracted with the City of Spencer for sanitary landfill services. The current contract expires June 30, 2017, with a cost to the County for fiscal 2015 of \$86,336.

Annual costs under the sanitary landfill services contract are as follows:

2016 .....	\$ 86,976
2017 .....	<u>90,024</u>
TOTAL	<u>\$177,000</u>

The County has also contracted with Spencer Hospital for management of public health services. Established costs call for total annual payments of \$220,000 for the fiscal year ending June 30, 2016.

The County resolved to fund a maximum of \$200,000 through June 30, 2016 from local option sales tax revenues to participate in the Spencer Housing Initiative Program. As of June 30, 2015, \$142,500 has been paid to fund this program.

**13. LITIGATION**

The County is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. County officials believe the outcome of these matters will not have a material adverse effect on the County's financial statements.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**14. CLAY COUNTY FINANCIAL INFORMATION INCLUDED IN NORTHWEST IOWA CARES CONNECTIONS**

Northwest Iowa Cares Connections (NWIACC), a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Clay, Dickinson, Lyon, O'Brien, Osceola, and Palo Alto. The financial activity of Clay County's Special Revenue, Mental Health Fund is included in NWIACC for the year ended June 30, 2015 as follows:

Revenues:	
Property and other county tax .....	\$ 379,066
Intergovernmental .....	<u>102,668</u>
Total Revenues	<u>481,734</u>
Expenditures:	
General administration:	
Direct administration .....	95,733
Distribution to regional fiscal agent .....	<u>923,575</u>
Total Expenditures	<u>1,019,308</u>
Deficiency of revenues over expenditures .....	(537,574)
Fund balance - beginning of the year .....	<u>567,398</u>
FUND BALANCE - END OF YEAR	<u>\$ 29,824</u>

**15. ACCOUNTING CHANGE/RESTATEMENT**

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position - June 30, 2014, as previously reported .....	\$40,868,107
Net pension liability at June 30, 2014 .....	(2,784,893)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date .....	<u>350,507</u>
Net position - July 1, 2014, as restated	<u>\$38,433,721</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

CLAY COUNTY  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015

	<u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>	<u>Net</u>
RECEIPTS:			
Property and other County tax .....	\$ 7,985,892	\$ -	\$ 7,985,892
Interest and penalty on property tax .....	30,943	-	30,943
Intergovernmental .....	5,921,505	212,710	5,708,795
Licenses and permits .....	21,061	-	21,061
Charges for service .....	564,810	-	564,810
Use of money and property .....	407,008	302	406,706
Other.....	1,643,808	279,672	1,364,136
TOTAL REVENUES	<u>16,575,027</u>	<u>492,684</u>	<u>16,082,343</u>
DISBURSEMENTS:			
Public safety and legal services .....	2,749,450	-	2,749,450
Physical health and social services .....	721,506	-	721,506
Mental health .....	1,162,262	-	1,162,262
County environment and education .....	2,288,522	166,032	2,122,490
Roads and transportation .....	4,476,326	-	4,476,326
Governmental services to residents .....	408,536	-	408,536
Administration .....	1,791,762	-	1,791,762
Debt service .....	631,396	127,699	503,697
Capital projects .....	1,397,876	-	1,397,876
TOTAL DISBURSEMENTS	<u>15,627,636</u>	<u>293,731</u>	<u>15,333,905</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	947,391	198,953	748,438
OTHER FINANCING SOURCES, NET	172,773		172,773
BALANCE - BEGINNING OF YEAR	<u>7,859,545</u>	<u>370,545</u>	<u>7,489,000</u>
BALANCE - END OF YEAR	<u>\$ 8,979,709</u>	<u>\$ 569,498</u>	<u>\$ 8,410,211</u>



Budgeted Amounts		Final to
Original	Final	Net Variance
\$ 7,885,359	\$ 7,885,655	\$ 100,237
41,000	41,000	(10,057)
4,516,679	5,813,908	(105,113)
31,937	32,337	(11,276)
497,737	512,527	52,283
331,417	415,803	(9,097)
845,335	969,171	394,965
<u>14,149,464</u>	<u>15,670,401</u>	<u>411,942</u>
2,929,699	3,000,935	251,485
781,793	802,533	81,027
1,051,797	1,426,576	264,314
1,497,667	2,431,557	309,067
5,397,768	5,397,768	921,442
434,947	438,146	29,610
1,759,218	1,966,578	174,816
503,197	503,197	(500)
1,618,900	2,705,900	1,308,024
<u>15,974,986</u>	<u>18,673,190</u>	<u>3,339,285</u>
(1,825,522)	(3,002,789)	<u>\$ 3,751,227</u>
-	-	
<u>6,829,421</u>	<u>6,829,421</u>	
<u>\$ 5,003,899</u>	<u>\$ 3,826,632</u>	

See Accompanying Independent Auditors' Report

CLAY COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015

	Governmental Funds		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrued Basis</u>
Revenues and other financing sources.....	\$ 16,575,027	\$ (642,852)	\$ 15,932,175
Expenditures .....	<u>15,627,636</u>	<u>(867,198)</u>	<u>16,494,834</u>
Net	947,391	(1,510,050)	(562,659)
Other financing sources, net .....	172,773		172,773
Beginning fund balances .....	<u>7,859,545</u>	<u>2,181,375</u>	<u>10,040,920</u>
ENDING FUND BALANCES	<u>\$ 8,979,709</u>	<u>\$ 671,325</u>	<u>\$ 9,651,034</u>

See Accompanying Independent Auditors' Report

CLAY COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,698,204. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.

CLAY COUNTY  
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*  
(In Thousands)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
County's collective proportion of the net pension liability (asset) .....	0.0445721%
County's collective proportionate share of the net pension liability (asset) .....	\$ 1,789
County's covered-employee payroll .....	\$ 4,185
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll .....	42.74%
Plan fiduciary net position as a percentage of the total pension liability .....	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

CLAY COUNTY  
SCHEDULE OF COUNTY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS  
(In Thousands)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions .....	\$ 435	\$ 415	\$ 384	\$ 332
Contributions in relation to the statutorily required contribution .....	<u>(435)</u>	<u>(415)</u>	<u>(384)</u>	<u>(332)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll ....	\$ 4,452	\$ 4,184	\$ 4,050	\$ 3,669
Contributions as a percentage of covered-employee payroll .....	9.77%	9.91%	9.48%	9.04%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 293	\$ 262	\$ 249	\$ 212	\$ 212	\$ 214
<u>(293)</u>	<u>(262)</u>	<u>(249)</u>	<u>(212)</u>	<u>(212)</u>	<u>(214)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,656	\$ 3,561	\$ 3,553	\$ 3,285	\$ 3,236	\$ 3,290
8.01%	7.35%	7.00%	6.45%	6.55%	6.50%

CLAY COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

CLAY COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY -  
Continued  
YEAR ENDED JUNE 30, 2015

Changes of Assumptions - Continued:

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



CLAY COUNTY  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	July 1, 2009	-	\$ 417	\$ 417	0.00%	\$3,436	12.14%
2011	July 1, 2009	-	417	417	0.00	3,932	10.60
2012	July 1, 2009	-	417	417	0.00	3,952	10.55
2013	July 1, 2012	-	336	336	0.00	4,343	7.74
2014	July 1, 2012	-	336	336	0.00	4,579	7.34
2015	July 1, 2012	-	336	336	0.00	4,741	7.09

See Note 10 in the accompanying Notes to Financial Statements for plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

## **SUPPLEMENTARY INFORMATION**

CLAY COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

ASSETS

	<u>Debt Service</u>	<u>County Sheriff</u>	<u>LOSST Bond</u>
Cash and pooled investments .....	\$ 172,335	\$ 46,525	\$ 151,963
Receivables:			
Property tax:			
Delinquent .....	268	-	-
Succeeding year .....	397,000	-	-
Accounts .....	-	-	-
Notes and contracts .....	-	390	-
Accrued interest .....	105	2	28
Drainage assessments .....	-	-	-
 TOTAL ASSETS	 <u>\$ 569,708</u>	 <u>\$ 46,917</u>	 <u>\$ 151,991</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES:			
Accounts payable .....	\$ -	\$ 60	\$ -
 TOTAL LIABILITIES	 <u>-</u>	 <u>60</u>	 <u>-</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable resources:			
Succeeding year property tax .....	397,000	-	-
Other .....	264	-	-
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>397,264</u>	 <u>-</u>	 <u>-</u>
FUND BALANCES:			
Restricted for:			
Debt service .....	172,444	-	151,991
Resource enhancement and protection ...	-	-	-
Drainage warrants .....	-	-	-
Economic development .....	-	-	-
Other purposes .....	-	46,857	-
 TOTAL FUND BALANCES	 <u>172,444</u>	 <u>46,857</u>	 <u>151,991</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 569,708</u>	 <u>\$ 46,917</u>	 <u>\$ 151,991</u>

See Accompanying Independent Auditor's Report

<u>Special Revenue</u>					
<u>Resource Enhancement and Protection</u>	<u>County Recorder's Records Management</u>	<u>Drainage Districts</u>	<u>Revolving Loan</u>	<u>LOSST Fair</u>	<u>Total</u>
\$ 56,541	\$ 8,458	\$ 188,462	\$ 78,132	\$ -	\$ 702,416
-	-	-	-	-	268
-	-	-	-	-	397,000
-	873	-	-	7,237	8,110
-	-	-	375,785	-	376,175
5	-	6	1,127	-	1,273
-	-	395,351	-	-	395,351
<u>\$ 56,546</u>	<u>\$ 9,331</u>	<u>\$ 583,819</u>	<u>\$ 455,044</u>	<u>\$ 7,237</u>	<u>\$ 1,880,593</u>
\$ 193	\$ -	\$ -	\$ -	\$ -	\$ 253
<u>193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253</u>
-	-	-	-	-	397,000
-	-	395,351	374,591	-	770,206
-	-	395,351	374,591	-	1,167,206
-	-	-	-	-	324,435
56,353	-	-	-	-	56,353
-	-	188,468	-	-	188,468
-	-	-	-	7,237	7,237
-	9,331	-	80,453	-	136,641
<u>56,353</u>	<u>9,331</u>	<u>188,468</u>	<u>80,453</u>	<u>7,237</u>	<u>713,134</u>
<u>\$ 56,546</u>	<u>\$ 9,331</u>	<u>\$ 583,819</u>	<u>\$ 455,044</u>	<u>\$ 7,237</u>	<u>\$ 1,880,593</u>

See Accompanying Independent Auditor's Report

CLAY COUNTY  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	<u>Debt Service</u>	<u>County Sheriff</u>	<u>LOSST Bond</u>
REVENUES:			
Property and other County tax .....	\$ 406,103	\$ -	\$ -
Local option sales tax .....	-	-	-
Intergovernmental .....	30,984	-	-
Charges for service .....	-	-	-
Use of money and property .....	2,261	23	302
Miscellaneous .....	-	5,272	200,615
TOTAL REVENUES	<u>439,348</u>	<u>5,295</u>	<u>200,917</u>
EXPENDITURES:			
Operating:			
County environment and education .....	-	-	63,922
Governmental services to residents .....	-	-	-
Administration .....	-	3,386	-
Nonprogram .....	-	-	-
Debt service .....	459,447	-	127,699
TOTAL EXPENDITURES	<u>459,447</u>	<u>3,386</u>	<u>191,621</u>
OTHER FINANCING SOURCES (USES):			
Drainage warrants issued.....	-	-	-
Operating transfers out.....	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	(20,099)	1,909	9,296
FUND BALANCES - BEGINNING OF YEAR	<u>192,543</u>	<u>44,948</u>	<u>142,695</u>
FUND BALANCES - END OF YEAR	<u>\$ 172,444</u>	<u>\$ 46,857</u>	<u>\$ 151,991</u>

See Accompanying Independent Auditors' Report

Special Revenue					
Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts	Revolving Loan	LOSST Fair	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 406,103
-	-	-	-	92,135	92,135
814,357	-	-	-	-	845,341
-	3,545	-	-	-	3,545
148	6	-	143,877	-	146,617
-	-	85,374	300	-	291,561
<u>814,505</u>	<u>3,551</u>	<u>85,374</u>	<u>144,177</u>	<u>92,135</u>	<u>1,785,302</u>
53,553	-	-	79,008	91,503	287,986
-	6,070	-	-	-	6,070
-	-	-	-	-	3,386
-	-	172,933	-	-	172,933
-	-	99,540	-	-	686,686
<u>53,553</u>	<u>6,070</u>	<u>272,473</u>	<u>79,008</u>	<u>91,503</u>	<u>1,157,061</u>
-	-	172,773	-	-	172,773
<u>(799,520)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(899,520)</u>
<u>(799,520)</u>	<u>-</u>	<u>172,773</u>	<u>(100,000)</u>	<u>-</u>	<u>(726,747)</u>
(38,568)	(2,519)	(14,326)	(34,831)	632	(98,506)
<u>94,921</u>	<u>11,850</u>	<u>202,794</u>	<u>115,284</u>	<u>6,605</u>	<u>811,640</u>
<u>\$ 56,353</u>	<u>\$ 9,331</u>	<u>\$ 188,468</u>	<u>\$ 80,453</u>	<u>\$ 7,237</u>	<u>\$ 713,134</u>

CLAY COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2015

ASSETS	County Offices	Townships	Corporations	Schools	Community Colleges	Emergency Medical Services
CASH AND POOLED INVESTMENTS:						
County Treasurer .....	\$ -	\$ 3,769	\$ 56,266	\$ 142,612	\$ 7,326	\$ 5,645
Other County officials .....	134,487	-	-	-	-	-
RECEIVABLES:						
Property tax:						
Delinquent .....	-	44	6,055	7,735	598	-
Succeeding year .....	-	272,000	6,305,000	12,347,000	946,000	-
Due from other governments .....	333	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 134,820</b>	<b>\$ 275,813</b>	<b>\$6,367,321</b>	<b>\$ 12,497,347</b>	<b>\$ 953,924</b>	<b>\$ 5,645</b>
LIABILITIES						
LIABILITIES:						
Accounts payable .....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 776
Due to other governments .....	14,132	275,813	6,367,321	12,497,347	953,924	4,869
Trusts payable .....	120,688	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 134,820</b>	<b>\$ 275,813</b>	<b>\$6,367,321</b>	<b>\$ 12,497,347</b>	<b>\$ 953,924</b>	<b>\$ 5,645</b>

CLAY COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2015

ASSETS	County <u>Assessor</u>	Agricultural Extension <u>Education</u>	Auto License and <u>Use Tax</u>	Other <u>Offices</u>	<u>Total</u>
CASH AND POOLED INVESTMENTS:					
County Treasurer .....	\$ 174,066	\$ 2,542	\$ 424,383	\$ 474,579	\$ 1,291,188
Other County officials .....	-	-	-	-	134,487
RECEIVABLES:					
Property tax:					
Delinquent .....	188	139	-	2	14,761
Succeeding year .....	302,000	222,000	-	72,000	20,466,000
Due from other governments .....	-	-	-	80,591	80,924
 TOTAL ASSETS	 <u>\$ 476,254</u>	 <u>\$ 224,681</u>	 <u>\$ 424,383</u>	 <u>\$ 627,172</u>	 <u>\$ 21,987,360</u>
LIABILITIES					
LIABILITIES:					
Accounts payable .....	\$ 2,875	\$ -	\$ -	\$ 33,591	\$ 37,242
Due to other governments .....	473,379	224,681	424,383	593,581	21,829,430
Trusts payable .....	-	-	-	-	120,688
 TOTAL LIABILITIES	 <u>\$ 476,254</u>	 <u>\$ 224,681</u>	 <u>\$ 424,383</u>	 <u>\$ 627,172</u>	 <u>\$ 21,987,360</u>



CLAY COUNTY  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2015

	<u>County Offices</u>	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Emergency Medical Services</u>
BALANCE - BEGINNING OF YEAR	<u>\$ 109,823</u>	<u>\$274,313</u>	<u>\$ 5,667,426</u>	<u>\$ 12,545,932</u>	<u>\$ 636,413</u>	<u>\$ 14,365</u>
ADDITIONS:						
Property and other County tax .....	-	256,567	6,701,365	11,855,437	922,253	-
911 surcharge .....	-	-	-	-	-	-
State tax credits .....	-	16,840	501,400	924,862	46,229	-
Office fees and collections .....	607,078	-	-	-	-	-
Auto licenses, use tax and postage ....	-	-	-	-	-	-
Assessments .....	-	-	-	-	-	-
Trusts .....	490,437	-	-	-	-	-
Miscellaneous .....	-	-	-	-	-	3,713
TOTAL ADDITIONS	<u>1,097,515</u>	<u>273,407</u>	<u>7,202,765</u>	<u>12,780,299</u>	<u>968,482</u>	<u>3,713</u>
DEDUCTIONS:						
Agency remittances:						
To other funds .....	234,344	-	-	-	-	-
To other governments .....	130,540	271,907	6,502,870	12,828,884	650,971	-
Trusts paid out .....	707,634	-	-	-	-	12,433
TOTAL DEDUCTIONS	<u>1,072,518</u>	<u>271,907</u>	<u>6,502,870</u>	<u>12,828,884</u>	<u>650,971</u>	<u>12,433</u>
BALANCE - END OF YEAR	<u>\$ 134,820</u>	<u>\$275,813</u>	<u>\$ 6,367,321</u>	<u>\$ 12,497,347</u>	<u>\$ 953,924</u>	<u>\$ 5,645</u>

CLAY COUNTY  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2015

	<u>County Assessor</u>	<u>Agriculture Extension Education</u>	<u>Auto License and Use Tax</u>	<u>Other Offices</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR	\$ 462,443	\$ 217,284	\$ 404,900	\$ 436,670	\$ 20,769,569
ADDITIONS:					
Property and other County tax .....	290,557	214,564	-	105,259	20,346,002
911 surcharge .....	-	-	-	280,697	280,697
State tax credits .....	22,675	16,034	-	12,754	1,540,794
Office fees and collections .....	54	-	-	165,870	773,002
Auto licenses, use tax and postage ....	-	-	5,456,018	-	5,456,018
Assessments .....	-	-	-	149,252	149,252
Trusts .....	-	-	-	90,441	580,878
Miscellaneous .....	3,000	-	-	71,118	77,831
TOTAL ADDITIONS	<u>316,286</u>	<u>230,598</u>	<u>5,456,018</u>	<u>875,391</u>	<u>29,204,474</u>
DEDUCTIONS:					
Agency remittances:					
To other funds .....	-	-	-	-	234,344
To other governments .....	302,475	223,201	5,436,535	364,835	26,712,218
Trusts paid out .....	-	-	-	320,054	1,040,121
TOTAL DEDUCTIONS	<u>302,475</u>	<u>223,201</u>	<u>5,436,535</u>	<u>684,889</u>	<u>27,986,683</u>
BALANCE - END OF YEAR	<u>\$ 476,254</u>	<u>\$ 224,681</u>	<u>\$ 424,383</u>	<u>\$ 627,172</u>	<u>\$ 21,987,360</u>

CLAY COUNTY  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS  
YEAR ENDED JUNE 30, 2015

	Modified Accrual Basis				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES:</b>					
Property and other County tax .....	\$ 7,070,911	\$ 7,066,516	\$ 6,884,520	\$ 6,660,884	\$ 6,373,835
Local option sales tax .....	921,345	829,195	887,597	841,802	857,945
Interest and penalty on property tax .....	30,943	39,185	38,270	43,876	37,238
Intergovernmental .....	6,250,720	6,190,827	4,164,364	5,174,204	5,048,931
Licenses and permits .....	22,139	28,798	23,117	28,088	25,404
Charges for service .....	686,947	744,749	582,132	556,546	545,594
Use of money and property .....	410,103	362,220	316,903	278,977	285,788
Fines, forfeitures and defaults .....	123,092	91,381	99,863	73,249	46,268
Miscellaneous .....	415,975	787,585	705,623	752,156	574,453
<b>TOTAL REVENUES</b>	<u><u>\$15,932,175</u></u>	<u><u>\$16,140,456</u></u>	<u><u>\$ 13,702,389</u></u>	<u><u>\$ 14,409,782</u></u>	<u><u>\$13,795,456</u></u>
<b>EXPENDITURES:</b>					
Operating:					
Public safety and legal services .....	\$ 2,707,807	\$ 2,757,142	\$ 2,655,145	\$ 2,202,745	\$ 2,365,668
Physical health and social services .....	723,405	628,390	590,637	502,403	562,897
Mental health .....	1,144,941	747,666	847,405	2,088,406	1,648,865
County environment and education .....	1,303,848	1,321,749	1,391,912	1,295,286	1,490,692
Roads and transportation .....	4,371,191	4,136,914	4,418,874	4,400,579	4,008,338
Governmental services to residents .....	408,179	412,486	520,099	385,111	411,892
Administration .....	2,674,463	1,969,052	1,692,042	1,665,165	1,572,885
Non-program .....	172,933	139,434	685,663	-	-
Debt service .....	730,936	1,078,683	768,983	365,422	853,286
Capital projects .....	2,257,131	1,195,323	5,450,448	2,833,806	607,939
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 16,494,834</u></u>	<u><u>\$ 14,386,839</u></u>	<u><u>\$ 19,021,208</u></u>	<u><u>\$ 15,738,923</u></u>	<u><u>\$ 13,522,462</u></u>

## Schedule 5

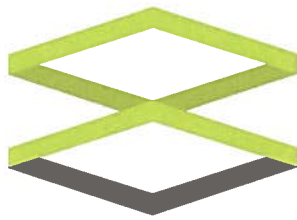
Modified Accrual Basis				
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 6,042,792	\$ 5,668,597	\$ 5,405,607	\$ 5,470,168	\$ 5,080,510
675,442	765,114	856,468	823,558	676,906
37,021	37,362	31,812	24,806	30,478
5,063,230	4,959,606	4,015,496	4,075,174	5,298,196
34,107	23,061	30,657	14,679	10,360
476,463	475,048	487,961	442,998	463,996
266,939	393,957	412,077	541,725	409,420
29,483	28,124	32,173	22,644	23,763
638,676	620,503	587,030	543,863	727,680
<u>\$13,264,153</u>	<u>\$12,971,372</u>	<u>\$11,859,281</u>	<u>\$ 11,959,615</u>	<u>\$12,721,309</u>
\$ 2,051,702	\$ 2,142,067	\$ 1,945,200	\$ 2,038,863	\$ 2,063,894
435,109	462,235	393,998	384,688	324,657
1,463,204	1,617,586	1,595,028	1,423,246	1,319,489
1,240,370	1,297,745	1,205,794	1,013,236	815,711
4,311,846	4,007,797	3,526,115	3,304,187	3,571,958
404,603	405,603	392,904	348,120	370,662
1,436,285	1,383,677	1,331,612	1,212,763	1,206,203
-	-	-	-	473,808
347,599	401,174	444,241	498,050	372,624
1,751,650	1,143,530	288,824	1,228,957	3,331,553
<u>\$ 13,442,368</u>	<u>\$ 12,861,414</u>	<u>\$ 11,123,716</u>	<u>\$ 11,452,110</u>	<u>\$ 13,850,559</u>

See Accompanying Independent Auditors' Report

CLAY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

Grantor/Program	CFDA Number	Program Expenditures
Direct:		
Department of Justice:		
Bulletproof vest partnership program .....	16.607	\$ 407
Total Direct		<u>407</u>
Indirect:		
U.S. Department of Agriculture:		
Iowa Department of Human Services:		
Human Services administrative reimbursement:		
State administrative matching grants for supplemental nutrition assistance program .....	10.561	<u>19,198</u>
U.S. Department of Health and Human Services:		
Iowa Department of Human Services:		
Human Services administrative reimbursements:		
Child support enforcement .....	93.563	679
Refugee and entrant assistance - voluntary agency programs .....	93.566	39
Child care mandatory and matching funds of the child care and development fund .....	93.596	4,960
Foster care - Title IV-E .....	93.658	7,349
Adoption assistance .....	93.659	2,315
Social services block grant .....	93.667	5,899
State children's insurance program .....	93.767	119
Medical assistance program .....	93.778	<u>36,254</u>
Total U.S. Department of Health and Human Services		<u>57,614</u>
U.S. Department of Homeland Security:		
Iowa Department of Public Defense:		
Iowa Homeland Security and Emergency Management Division:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	601,855
Emergency Management Performance Grant .....	97.042	<u>26,063</u>
Total U.S. Department of Homeland Security		<u>627,918</u>
Total Indirect		<u>704,730</u>
TOTAL		<u>\$705,137</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clay County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Clay County:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Clay County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay County's internal control. Accordingly, we do not express our opinions on the effectiveness of Clay County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as Item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-15 and II-C-15 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Clay County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Clay County's Responses to the Findings**

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

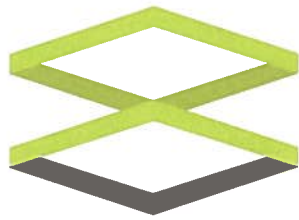
### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clay County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Wintner, Starnes & Co., LLP*

January 22, 2016  
Spencer, Iowa



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

To the Officials of Clay County:

**Report on Compliance for Each Major Federal Program:**

We have audited Clay County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Clay County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for Clay County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clay County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Clay County's compliance.



### **Opinion on Each Major Federal Program**

In our opinion, Clay County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

The management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clay County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clay County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Wintner, Staver & Co., LLP*

January 22, 2016  
Spencer, Iowa

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clay County did not qualify as a low-risk auditee.

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2015

**Part II: Findings Related to the Financial Statements**

**Internal Control Deficiencies:**

- II-A-15 Segregation of Duties - During our evaluation of the system of internal accounting control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted instances where one employee is capable of performing incompatible duties.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the County Auditor and County Treasurer should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances.

Response - While the size of our staff has a limiting effect on our ability to have complete segregation of duties, we will strive to segregate where possible and insure review of those areas where complete segregation is not feasible.

Conclusion - Response accepted.

- II-B-15 Capital Assets - During our audit, we identified several significant capital asset acquisitions which were not included in the County's listing of capital asset additions for the year. As a result, adjustments were subsequently required to properly include these amounts in the government-wide financial statements.

Recommendation - The County should enhance procedures to ensure capital asset additions from all departments are identified and included in the County's financial statements.

Response - We will work to develop procedures to ensure all capital assets additions are included in the financial statements.

Conclusion - Response accepted.

- II-C-15 Disbursements - During our audit, we noted several invoices were not properly cancelled after payment.

Recommendation - We recommend all invoices to be properly cancelled upon payment to prevent reuse.

Response - We will consider canceling all invoices upon payment.

Conclusion - Response accepted.

**Instances of Noncompliance:**

No matters were reported.

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2015

**Part III: Findings and Questioned Costs For Federal Awards:**

**Instance of Non-Compliance:**

No matters were reported.

**Internal Control Deficiencies:**

CFDA Number 97.036: Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
Federal Award Year: 2015  
U.S. Department of Homeland Security  
Passed through the Iowa Department of Public Defense

III-A-15      Segregation of Duties over Federal Revenues - The County did not properly  
(2015-001) segregate custody, record-keeping and reconciling functions for revenues,  
including those related to federal programs. See item II-A-15.

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2015

**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-15 Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the debt service function.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget when required.

Conclusion - Response accepted.

IV-B-15 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-15 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-15 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Coffman's Locksmith, owned by spouse of employee Audrey Coffman	Services and products	\$1,524

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions may represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation - We recommend the Board consider whether or not certain services and products should be entered into through competitive bidding.

Response - We will consider whether competitive bidding required in these situations.

Conclusion - Response accepted.

IV-E-15 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2015

**Part IV: Other Findings Related to Required Statutory Reporting** - Continued

- IV-F-15 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-15 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy.
- IV-H-15 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-15 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in the government-wide financial statements.
- Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.
- IV-J-15 Tax Increment Financing (TIF) - For the year ended June 30, 2015, the County Auditor prepared a reconciliation of TIF receipts with total outstanding TIF debt for each City.